

# Cabinet

## Dorset County Council



Date of Meeting	1 February 2017
<p><u>Cabinet Member</u> Robert Gould – Leader</p> <p><u>Lead Officer(s)</u> Richard Bates – Chief Financial Officer</p>	
Subject of Report	<b>Medium Term Financial Plan (MTFP) and Budget 2017/18 to 2019/20</b>
Executive Summary	<p>This report provides the final update on the major national and local issues facing the County Council and how they affect the 2017/18 budget and financial strategy for the three years to the end of the current spending review period.</p> <p>The Cabinet meetings on 14<sup>th</sup> December 2016 and 18<sup>th</sup> January 2017 agreed the basis for final development of the budget and MTFP, subject to the finalisation of the Forward Together programme and the risks surrounding the savings targets therein.</p> <p>This paper summarises the development of the budget and MTFP throughout the year, culminating in recommendations for Cabinet to propose to County Council regarding Council Tax and Social Care Precepts, expenditure allocation and savings measures.</p> <p>Recommendations are also included to ensure members understand and are kept informed of the ongoing management of risks inherent in the budget and how the County Council will need to manage its reserves and balances if there is agreement to transition to new Local Government structures across the county.</p> <p>The budget monitoring information for 2016/17 has been routinely provided through the regular MTFP updates to Cabinet. Appendix 1 sets out the latest (December) forecast, predicting an overspend of some £9.6m. The root causes of the overspend have been drawn to Members’ attention during the year and are not repeated here. Focus will remain on reducing the overspend as far as possible, by 31 March to minimise the adverse impact on the base budget position for 2017/18. Directors have made their best attempts possible to assess the impact of current and future years’ pressures and build them into the MTFP to ensure we understand the size of the Forward Together programme that</p>

	<p>must be delivered and balance this against judicious use of reserves and balances. This has been a key consideration of the S151 Officer in considering his statutory duty to ensure a balanced, achievable budget.</p>
<p>Impact Assessment:</p>	<p>Equalities Impact Assessment: This update does not involve a change in strategy. As the strategies for managing within the available budget is developed, the impact of specific proposals on equality groups will be considered.</p>
	<p>Use of Evidence: This report draws on proposals and funding information published by the Government, briefings issued by such bodies as the Society of County Treasurers and the content of Dorset County Council reports and financial monitoring data.</p>
	<p>Budget: The report provides an update on the County Council's previously reported budget position for the period 2017/18 and the following two years.</p> <p>Major risks that influence the development of the financial strategy include:</p> <ul style="list-style-type: none"> <li>• views taken on changes in grant funding, business rates growth, inflation rates, demographic and other pressures and income from locally raised tax, including the Social Care Precept;</li> <li>• success in delivering the savings anticipated from the existing Forward Together programme and a further, significant transformation beyond that point to manage within our medium-term funding limits;</li> <li>• judgement on the prudent use of reserves, balances and contingency;</li> <li>• pressures arising that have not been factored into the budget and/or the Forward Together programme.</li> </ul>
	<p>Risk Assessment: Having considered the risks associated with this decision using the County Council's approved risk management methodology, the level of risk has been identified as:                  Current Risk: HIGH                  Residual Risk HIGH</p>
	<p>Other Implications:</p> <p>None.</p>

<p>Recommendation</p>	<p>The Cabinet is asked to consider the contents of this report and, subject to confirmation of funding levels once the final settlement is received:</p> <ul style="list-style-type: none"> <li>(i) consider the service issues and risks associated with the savings measures arising from the updated Forward Together programme, set out in Appendix 2 and agree these as the measures upon which any relevant consultation takes place (these are also the measures which the flexible use of capital receipts strategy will support);</li> <li>(ii) note the outcome of the Authority’s review of reserves and balances and the risks associated with the use of reserves to balance the budget over the planning period and the impact this will have on the starting position for new Local Government structures in Dorset from 1 April 2019;</li> <li>(iii) confirm the Council Tax increase of 1.99% for 2017/18 and the assumption of 2% annual increase across the remainder of the planning period;</li> <li>(iv) confirm a Social Care Precept of 3% for both 2017/18 and 2018/19 and 0% for 2019/20;</li> <li>(v) recommend to the County Council:             <ul style="list-style-type: none"> <li>a) the revenue budget strategy for 2017/18 to 2019/20</li> <li>b) the budget requirement and precept for 2017/18</li> <li>c) the position on general balances and reserves;</li> </ul> </li> <li>(vi) require the Chief Financial Officer to present to the County Council a schedule setting out the Council Tax for each category of dwelling and the precepts on each of the Dorset Councils for 2017/18</li> <li>(vii) agree to continue the Budget Strategy Task and Finish Group in order to develop savings proposals to address budget gaps over the remainder of the MTFP period;</li> <li>(viii) that the role of the FT Programme is clarified to ensure managers are held to account for their budgets and ensure that specific, measurable actions are put in place to ensure budgets at risk are managed within the funding parameters agree by Elected Members.</li> </ul>
<p>Reason for Recommendation</p>	<p>To approve the Council Tax increase for 2017/18 and to enable work to continue on refining and managing the County Council’s budget strategy for the remaining MTFP period.</p>
<p>Appendices</p>	<ul style="list-style-type: none"> <li>1 – CPMI for December 2016</li> <li>2 – Summary of Forward Together programme and savings proposals for 2017/18</li> <li>3 – Provisional budget and precept summary 2017/18</li> </ul>
<p>Background Papers</p>	<p>Provisional Local Government finance settlement Comprehensive Spending Review 2015 Autumn Statement 2016</p>

	Society of County Treasurers' briefing papers MTFP updates to Cabinet on 29/06/2016, 28/09/2016, 14/12/2016 and 18/01/2017
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## 1. Background

- 1.1 The Medium Term Financial Plan (MTFP) sets out the key financial arrangements and assumptions on which the County Council's budget is based. It underpins delivery of the County Council's Corporate Plan. This report is the fifth and final of the year to update Members on the current financial position and the forecast for the remaining three years of the MTFP.
- 1.2 When Cabinet considered the budget strategy on 18<sup>th</sup> January 2017, Members agreed a number of strategies, including for Council Tax, the Social Care Precept, use of collection fund surpluses and use of capital receipts. Earlier in the year Members had also agreed other strategies including for inflation, wage growth, demographic factors and capital financing, through the Budget Strategy Task and Finish Group. It was also understood that more detailed measures for savings from transformation in the Forward Together programme would also come to the February meeting once fuller consideration had been given to the robustness of the revised programme by Directorate Management Teams.
- 1.3 These savings proposals and the assessment of the risk and potential impact of these upon the County Council's reserves and balances are the final building blocks in our financial model and must be clearly understood to ensure the risk to the organisation's financial security is managed robustly. These savings are set out in Appendix 2.
- 1.4 Cabinet is therefore asked to recommend the Budget Strategy to the County Council. In determining the Strategy, Council must take account of the following:
- the resources available; particularly through council tax and Social Care Precept, the settlement and the impact of the funding formula over the MTFP period;
  - the present national economic situation and the Government's adherence to the fiscal tightening strategy to balance the national budget in the longer term;
  - advice and information issued by the Government, including the report of the Spending Review 2015 and the Chancellor's Autumn Statement issued in November 2016;
  - the Prudential Code for Borrowing and the County Council's capital financing policy;
  - the County Council's corporate aims and priorities, agreed by the Cabinet;
  - the potential impact of the strategy on service provision and the Council's performance in key service areas;
  - the risks associated with reducing funding for current services or not addressing budget pressures;

- the risks associated with the Forward Together programme savings and the elimination of the structural budget deficit over the MTFP period;
- the material use of reserves and balances;
- the turbulence in funding and associated risk that will continue throughout the MTFP period, particularly from the 100% business rates retention programme.

## 2. Development of the budget and MTFP

### Opening position

- 2.1 Members may recall from the June report that the opening position for the year was a budget gap across the three years of the MTFP as shown in the table, below.

	2016/17	2017/18	2018/19	2019/20	Total
	£000	£000	£000	£000	£000
Original budget gap	(15.3)	(25.2)	(12.4)	(12.3)	(65.2)
Forward Together savings	9.0	6.4	1.0	-	16.4
Transitional funding	3.0	3.0	(3.0)	-	3.0
Rural Services Delivery Grant	1.1	0.5	(0.5)	-	1.1
No negative RSG (Grant adj)	-	-	2.1	(2.1)	-
Use of contingency, reserves etc	2.2	-	-	-	2.2
Remainder to be found	-	(15.3)	(12.8)	(14.4)	(42.5)
Social Care Precept	-	4.0	4.2	4.5	12.7
Residual budget gap	-	(11.3)	(8.6)	(9.9)	(29.8)

- 2.2 The starting point was therefore, the pursuit of savings of around £29.8m over the 3 year period to 31 March 2020. To support this, Cabinet established the Budget Strategy Task & Finish Group to consider how the organisation could progress its budget strategy alongside the Forward Together programme and deliver savings whilst transforming the organisation. The Group met monthly throughout the year, challenging and amending budget assumptions and receiving various presentations from Directors and their senior managers to understand and develop budget proposals of which Cabinet were kept abreast through the MTFP update reports.

### Outturn, forecast of outturn and cost pressures during the year

- 2.3 As part of the development of the 2016/17 budget, Members were mindful of the forecast overspend against service budgets in 2015/16 (final outturn £3.6m overspend on service budgets) and the continuing impact this would have on the base budget if the root causes were not dealt with. In response Members increased the base budget for Children's Services by £3m as well as providing for an additional £4m of one-off funding in 2016/17 to help reduce the number of children in care to the 400 mark advised by the Director as being the appropriate level when compared to similar local authorities. Members also agreed to levy the new, Adult Social Care Precept as part of the budget strategy, delivering an additional £3.8m of funding to the Adult & Community Services Directorate.
- 2.4 However, despite these measures, cost pressures have continued throughout 2016/17 to the extent that the Authority's latest forecast of outturn is an overspend of nearly £10m. Whilst Directors and their teams continue to take action to reduce spend, a more fundamental review of the Forward Together programme has also

been carried out. This has involved Directors and their leadership teams reviewing and assessing the real savings prospects from the existing Forward Together programme alongside cost pressures that have arisen and not been fully dealt with in the current year.

- 2.5 As noted elsewhere, the measures in the programme which Directors are confident in their ability to deliver are now set out in Appendix 2 for review by Members and subsequent consultation with overview and scrutiny committees where necessary. This fundamental review now sees Directors pursuing £18.3m of transformational savings across their services in 2017/18. Whilst there is therefore some time to work on the remaining budget gap for 2018/19 (and 2019/20 will be heavily dependent upon the outcomes of the 100% business rates retention work), measures to balance the budget for 2017/18 must be taken.

#### Local Government finance settlement

- 2.6 The provisional settlement was announced by the Secretary of State for Communities and Local Government, Sajid Javid, on 14<sup>th</sup> December 2016. Much of it was already known to us - in that Members had signed-up to the Government's four-year funding deal, so despite the fact that we will continue to press our case around negative RSG in 2019/20, there was at least the knowledge that the majority of our funding was known and was being planned for with relative certainty. The summary funding table from the 18<sup>th</sup> January MTFP report is repeated, below, for completeness.

	2015-16	2016-17	2017-18	2018-19	2019-20
	£m	£m	£m	£m	£m
Settlement Funding Assessment	73.290	56.143	43.584	38.650	29.885

- 2.7 As well as general funding there were also announcements confirming arrangements for the withdrawal of Education Services Grant, a new Adult Social Care Support Grant and adjustments to the Social Care Precept, all of which were covered in more detail in the last report and were the subject of particular recommendations which Cabinet agreed.

#### Collection fund surpluses and growth in the base

- 2.8 As the budget strategy work developed, Members will also recall the most recent update around the growth of 0.9% in the Council Tax base (our assumption was 0.75%) and the £3.47m of surpluses declared on the collection funds which will form part of the precept for 2017/18. This additional growth in excess of our assumption in the CT base is worth £320k to our base budget. An assumption had also been made earlier in the budget process that £0.5m of collection fund surpluses could be built into the base budget.

#### Flexible use of capital receipts

- 2.9 The January update report provided a revised strategy for the flexible use of capital receipts which Members approved, subject to the provision of the formal list (Appendix 2) of transformation projects which the £2m of capital receipts would be used to fund in the first two years of the MTFP (a further £1m would be applied to transformation costs in 2016/17).

### Pension fund valuation

- 2.10 Again, the January update provided information to indicate that there would be additional pension fund costs over the MTFP period and beyond in order to deal with the results of the most recent valuation exercise.

## **3 Council tax strategy**

- 3.1 Cabinet has been clear and consistent in its strategy for council tax throughout recent financial planning rounds. Because of the sustained reductions in funding, Cabinet has decided that it has been and will continue to be necessary to increase council tax by 1.99% across the MTFP period.
- 3.2 In addition to this, from 2016/17 Government allowed Local Authorities with social care responsibilities to levy up to an additional 2% on council tax as the Social Care Precept. On top of this, Members will recall the Secretary of State's announcement at the time of the provisional settlement in December 2016 that councils could alter the phasing of the Social Care Precept over the next three years. Local authorities are now able to levy up to an additional 3% in any year but the flexibility is still capped at 6% overall increase across the three years to the end of the current Parliament.
- 3.3 The Cabinet agreed in January to a change in the budget assumptions, moving from the Adult Social Care Precept increasing by 2% per annum to increasing by 3% in 2017/18 and 2018/19 and then zero in 2019/20. The flexibility in front-loading this increase delivers £6m additional funding over the three-year period, as set out in the January update report. Members are however reminded that whilst this approach has been agreed by Cabinet, it is still subject to recommendation to County Council which must agree council tax as part of the budget setting process.
- 3.4 Any funding delivered through the Social Care Precept must be used for adult social care. If Members agree the 3% increase it will therefore all be applied to that Directorate's budget. This does not, however, mean that the Adult & Community Services budget simply increases by this amount. This budget remains the highest area of the Council's spend and clearly cannot be protected from either efficiency savings or other budget reductions, such is the continuing magnitude of the funding change.

## **4 Contingency, reserves and balances**

- 4.1 The 2016/17 base budget for contingency was £2.3m. As usual, it has been subject to a broad range of calls this year but the December CPMI is positive in anticipating an underspend of £0.5m. This position is likely to improve further, depending on redundancies to be confirmed before 31 March, which will be capitalised, and confirmation of the other anticipated calls on the fund. The contingency budget set for 2017/18 has been increased to £2.9m.
- 4.2 We have also carried out our usual review of reserves, to ensure sufficient funding is made available to deal with specific pressures we have acknowledged in this paper - and elsewhere during the MTFP process. These include:
- transitional funding required to deal with the sharper reduction in Education Services Grant (ESG);
  - funding to support the transformation process and to enable savings in SEN Transport that have not been achieved as quickly as originally anticipated;

- the final £1m of the £5m total, one-off funding to support children in care, agreed as part of the 2016/17 budget round;
- timing of savings within Adult & Community Services (see paragraph 6.2).

4.3 The authority's balances (the general fund) opened 2016/17 at £14.6m. Whilst we have identified some savings to mitigate the overspend - including repairs and maintenance and capitalisation of redundancy costs - the eventual outturn for this year will still impact on balances and could pull us towards the lower end of our operating range of £10m.

4.4 It is therefore still imperative that we continue to do everything in our power to reduce spend in the remainder of the year. The Chief Executive has recently written to all staff with a reminder of the budget pressures and the need for continuing, careful consideration of every item of expenditure.

4.5 It is worth reminding Members of the scale of our operating range:

<u>Absolute minimum</u>	<u>Operating range</u>	<u>Maximum</u>
0.8% of gross spend £8.0m	1% to 2% of gross spend £10m to £20m	2.5% of gross spend £25m

## **5 Forward Together position and prospects**

### Adult & Community Services

5.1 The Adult & Community Services budget has a current base budget pressure of £7.6m of which the majority is associated with Adult Social Care. Although considerable savings have been made by the Directorate in recent years the underlying net expenditure has continued to increase mainly due to increases in the cost of care. The Directorate is also committed to making savings within the Forward Together programme of £4.6m & £4.1m in 2017/18 and 2018/19 respectively.

5.2 The budgets for 2017/18 and 2018/19 have been set within stretching parameters. No general inflationary increases have been applied across the Directorate budgets however, it has been assumed that Social Care fees/costs would increase by 2.5% and all non-social care services have also absorbed the pay award and incremental drift.

5.3 After the application of the 2% Social Care Precept the base deficit in the budget for 2017/18 is £7.5m. When the Forward Together target is added to this the total savings required to balance the budget is £12.1m.

5.4 The proposed savings programme for 2017/18 has been drawn up by the Directorate Management Team in response to the budget pressures and will make use of the Transformation fund to help implement it. Appendix 2 gives a summary of the proposed savings programme, totalling £7.1m. The gap remaining after the savings is £5m. If approved, the application of a further 1% precept (£2.1m) and the new Adult Social Care Support Grant (£1.5m) the gap reduces to £1.4m.

5.5 The proposed savings programme is stretching. The savings associated purely with Social Care amount to 4.5% of the available budget however they are all achievable and relate to working more efficiently and economically, rather than reductions in services. They are not without risk though. Those risks being, amongst others:

- Market conditions and price,



- Wider market Care work force capacity,
- NHS / Sustainability and Transformation Plan (STP) / Better Care Fund (BCF) assumptions,
- Capacity and capability.

### Children's Services

- 5.6 The original saving proposals put forward as part of the 2016/17 to 2019/20 forward together programme identified savings of £1.775m for 2017/18 and a further £1.2m for 2018/19. However, it was also agreed that Directorates would have to fund any internal pressures including the cost of staff increments and current overspends. In addition there are the well reported cost pressures that have been incurred during 2016/17 in relation to the cost of children in care, agency staff and SEN transport. This has meant that the Children's Services savings target for 2017/18 has been inflated by £3.404m to £5.179m. £1m of this will be funded corporately by increasing the SEN transport budget, meaning that the Directorate has identified savings of £4.179m, details of which are summarised in Appendix 2.
- 5.7 The Forward Together for Children programme has been developed to tackle these cost pressures and to deliver additional savings from within the Directorate. So whilst there are pressures across three main areas, it is also acknowledged that efficiencies can be found from elsewhere within the Directorate.
- 5.8 The number of looked after children has averaged 493 for the financial year to date. This has resulted in significant cost pressures, with the looked after children budget forecast to overspend by £6.2m. The long term number of children in care for Dorset is thought to be around a central number of 400 children at any one time, which is in line with the average of our statistical neighbours. The numbers have now plateaued and officers are confident that numbers can be successfully brought down during the year. The MTFP has provided a further £1m of ongoing funding to support looked after children and also set aside one off funding of £1m. This additional funding should be sufficient to cover the costs anticipated in 2017/18.
- 5.9 In relation to agency costs additional savings of £734k have been identified to cover the expected costs of agency during 2017/18 as the recruitment and retention programme is fully embedded. It is anticipated that there will be no agency requirement by March 2018, as outlined in the Progress and Next Steps in regard to Care and Protection report to Cabinet on 18 January 2017.
- 5.10 In relation to SEN transport, expenditure has remained stubbornly high at around £8.5m for the last three years despite plans to reduce this. Recent analysis of data shows 889 children for whom the County Council provides some travel assistance. This significantly higher than the initial data on which the savings target was calculated. As a consequence over optimistic budget assumptions resulted in a premature saving of £1.25m being taken in 2016/17. It is proposed that £1m of this is reversed in 2017/18 for a year to provide time for the efficiencies to be delivered. This will mean that pressures of around £1m will be required to be tackled during 2017/18, but the major review of special schools transport route retender in the summer and a review of eligibility, as well as the deployment of passenger assistants, is expected to deliver these savings.

### Environment & Economy

- 5.11 For 2016/17 the currently predicted overspend is £610k, with reasonable prospects that this will reduce in the closing months of the financial year although this will be

difficult. There is some under achievement of 2016/17 Forward Together savings targets, offset to some degree by planned underspends on 'business as usual' services.

- 5.12 For 2017/18 the Forward Together savings programme has been reviewed and updated, taking into account current views of the Environment and Economy leadership team on this and further issues identified during the construction of the revenue budget. It is acknowledged that the updated programme is ambitious.
- 5.13 Following the work to re-shape and re-focus Environment, Economy and Highways services in 2015, further work has been undertaken to review this and refine the new service models to ensure the transformation intended has resulted in the expected benefits and impacts. Each service area, including ICT and Emergency Planning are undertaking further work. This has inevitably resulted in a wider range of initiatives than might otherwise be anticipated.
- 5.14 The updated savings plan is shown within Appendix 2.
- 5.15 The Department for Transport has very recently announced a new allocation (the National Productivity Investment Fund) of £2.492m for Dorset County Council. This will be of benefit to the capital, rather than revenue budget.

#### Public Health

- 5.16 The Public Health grant for Dorset County Council for 2017/18 has been confirmed at £15.715m. The detailed budget for the partnership will be formerly approved at the Joint Public Health Board on 6<sup>th</sup> February.

#### Dorset Waste Partnership

- 5.17 For 2016/17 the currently predicted underspend is £1.28m (on a net budget of £34.2m) across the whole partnership, with the Dorset County Council share of the predicted underspend being £823k.
- 5.18 The Dorset Waste Partnership (DWP) revenue budget for 2017/18 of £33.1m was agreed at the Joint Committee meeting of 16 January 2017, with a recommendation that partner councils include their share (as agreed through the Inter Authority Agreement) in their own budgets. Dorset County Council has a share of 64.32%, which implies an amount of £21.289m to be included.
- 5.19 Although not part of the formal Forward Together programme, the figures for 2017/18 are calculated on the assumption that the DWP can achieved £1.149m (Dorset County Council share being £700k) of savings for the partnership through measures such as contract renewal savings, changes to winter opening hours at household recycling centres, a review of 'Bring Banks' and a reassessment of the average life of bins. All of these savings are already being realised to a considerable degree.

#### Chief Executive's Department

For 2017/18 the Forward Together savings programme has been reviewed and updated, and has now identified savings of £1.132m for the Chief Executives Department. Once you take account of the movement of IT services into the Environment Directorate this is within £20k of the original target.

- 5.20 Of the target £762k has already been achieved, £156k is on course to be delivered and £214k requires more work. The £214k that requires more work falls across HR and Legal Services and it is planned to be dealt with by internal reviews of the services. Details are shown in Appendix 2.

#### Remaining/corporate issues

- 5.21 There are two main areas of savings in the Forward Together programme where progress, monitored by the FT Board, has been reassessed and now needs rebasing.
- 5.22 It is becoming clear that savings from the Way We Work (Property) programme are lagging and that budget of £0.3m is required for the savings which were either double-counted (Youth Service) or wrongly included (depreciation) in the original plans. This can be provided from the excess growth in the taxbase compared to the original budget assumptions.
- 5.23 The other area is SEN transport where the Board has again recognised that sustainable savings cannot be found from the budget in the short-term. Funding of £1m has therefore been applied as part of the 2017/18 budget round to smooth the delivery of these savings. This has been funded through a reduction in the Buildings Repairs and Maintenance budget (£0.75m) which was significantly underspend in the current financial year and from capital financing savings resulting from the review of the capital programme which are detailed in the capital priorities report.

#### Local Government Reorganisation

- 5.24 If the reorganisation of local councils within Dorset proceeds, then funding will be required to achieve the transition. A total of £2.5m would be required for the initial transitional resources which would need to be found by the 9 authorities. The costs beyond that point which are estimated at a further £22.5m would be capitalised and the costs borne by the successor authorities.
- 5.25 The proposed split of the £2.5m would see Dorset County Council contributing £274,700 in 2017-18 and a further £417,800 in 2018-19. The costs for 2017-18 can be met from the sum set aside in the current years' budget.

## **6 Updated financial position**

- 6.1 Working all of these issues into the financial planning model for 2017/18 delivers a gross budget gap of £18.3m. It has been necessary to recalculate this figure as part of the review of the FT Programme so that Directors know the precise size of the budget gap they are filling. It can then be seen (through Appendix 2) that the incorporation of changes to the Forward Together programme's financial targets, the budget gap is reduced to £1.4m.

	Adult & Community £k	Children £k	Environment & Economy £k	Chief Executive's £k	Corporate £k	Total £k
Forward Together Targets 17/18	4,592	1,775	1,906	1,656	620	10,549
Adjustment for movement between Directorates			1,165	(545)	(620)	0
	4,592	1,775	3,071	1,111	0	10,549
Remaining Budget Pressure (Savings to be identified)	7,499	3,404	1,702	21		12,626
	12,091	5,179	4,773	1,132	0	23,175
Additional Funding	(3,582)	(1,000)	(300)			(4,882)
Net savings to be found	8,509	4,179	4,473	1,132	0	18,293
Plan (as per Appendix 2 - excluding partnerships)	(7,110)	(4,179)	(4,473)	(1,132)		(16,894)
Remaining Budget Gap	1,399	0	0	0	0	1,399

- 6.2 In addressing this gap, it is worth pointing out that the Adult & Community Services Director has identified potential savings in 2018/19 that will offset the budget gap in 2017/18 – the budget can therefore be balanced over the two-year period. It is therefore suggested that this gap is addressed through use of one-off monies (collection fund surpluses).
- 6.3 Members might recall that a planning assumption had already being made to use £0.9m of the general fund in 2017/18 to achieve a balanced budget. Continuation of that assumption along with the new £1.4m use of collection funds plus the £0.5m assumption we had already incorporated into the MTFP is presented together in the table, below, to clarify the total funding made available from these one-off sources.

<u>Provisional budget summaries for 2017/18 to 2019/20</u>				
		2017/18	2018/19	2019/20
		£M	£M	£M
Assumed council tax increase		4.99%	4.99%	1.99%
Band D equivalent tax		£1,326.87	£1,393.11	£1,420.83
Previous year's budget		264.9	264.1	266.2
Move in specific grants applied as general funding		0.1	2.6	2.4
Commitments provided for:				
- Resource Allocation Model		2.0	2.6	3.1
- Other central commitments		15.8	8.4	10.0
- Collection Fund surplus		3.5		
<b>Total budget requirement before savings</b>		<b>286.2</b>	<b>277.7</b>	<b>281.7</b>
<b>Estimated budget available</b>		<b>264.1</b>	<b>266.2</b>	<b>265.8</b>
Savings required	3-year total:	-49.4	-22.1	-15.8
Savings found by:				
- Forward Together programme		-18.3	-9.5	
- Use of Collection Fund/Balances (One Off)		-2.8	-0.8	-0.5
- Use of Capital Receipts (One Off)		-1.0	-1.0	
- Remainder still to be found to avoid scaling		0.0	-0.2	-15.3

## **7 Consultation and equality**

- 7.1 This high level update of the Budget Strategy does not, in itself, involve a change in strategy and therefore does not require an impact assessment. However, as the strategy for managing within the available budget is developed and as particular courses of action are formulated and consulted upon, Directorate Management teams will take forward specific impact assessments for relevant equality groups and consult with overview and scrutiny committees where necessary.
- 7.2 The major public consultation exercise carried out this year was focused primarily on Local Government Reorganisation. Whilst this work dealt with many aspects of governance, accountability, structure and reporting, financial management was a critical consideration and a great deal of work went into ensuring Members, Officers, communities and individuals across the County were better informed of the financial imperatives facing the nine Dorset Authorities.
- 7.3 The results of this consultation work have been reported to Members, along with reports from Opinion Research Services, Local Partnerships and PWC to ensure Members had all the information they needed when voting on LGR in January 2017.

## **8 Risk assessment**

- 8.1 A number of risks have been identified and reviewed during this annual update of the MTFP and budget setting round, which include:
- the possibility that the Forward Together programme (including the inclusion of unsolved base budget issues carrying forward for 2016/17) fails to deliver transformation at the level that is required over the MTFP to deliver the necessary savings, or that the programme needs additional investment to realise the savings that have been identified ;
  - economic performance does not match the expectations of central Government plans and even more austerity measures are applied to our funding;
  - continuing risks from the Business Rates Retention scheme as the risks lie materially with local authorities, not with central Government;
  - there is a risk that Government policy across a range of services will impact on the demands on our resources, most specifically the Dilnot reforms for adult social care;
  - improved Better Care Fund – there are significant, continuing risks that this funding will be accompanied by new burdens or responsibilities or that the fund will be encumbered in some way. Only £1.5m of the funding due to the County Council has been factored into the base budget from 2018/19;
  - the risk of an increase in the numbers of Unaccompanied Asylum Seeking Children which will bring budget pressures with them if sufficient support funding is not made available from Central Government. Cabinet debated UASC concerns at the 18<sup>th</sup> January meeting and will be actively monitoring the situation;
  - the risk any further overspends on service budgets in the context of the reduced level of our general balances.

## **9 Statutory declarations**

- 9.1 Section 25 of the Local Government Act 2003 requires all financial officers with *Section 151 responsibilities* to make a statement regarding the robustness of estimates and the adequacy of reserves at the time the budget is set. The Council

has a statutory duty to “have regard to the report when making decisions about the calculations”.

- 9.2 There are also other safeguards aimed at ensuring local authorities do not over-commit themselves financially. These include:
- the Chief Financial Officer's powers under section 114 of the Local Government Act 1988, which require a report to the Cabinet and to all members of the local authority if there is or is likely to be unlawful expenditure or an unbalanced budget;
  - the Local Government Finance Act 1992, which requires a local authority to calculate its budget requirement for each financial year, including the revenue costs which flow from capital financing decisions. The Act also requires an authority to budget to meet its expenditure after taking into account other sources of income. This is known as the ‘balanced budget requirement’;
  - the Prudential Code, introduced under the Local Government Act 2003, which has applied to capital financing and treasury management decisions from 2004/05;
  - the assessment of the financial performance and standing of the authority by the external auditors, who give their opinion on the financial standing of the authority and the value for money it provides as part of their annual report to those charged with governance.
- 9.3 The robustness of the budget critically depends on the maintenance of a sound financial control environment including effective financial management in each of the Council’s service directorates. Dorset’s Scheme of Financial Management sets out the responsibilities of all those involved in managing budgets and incurring commitments on behalf of the County Council. It was substantially reviewed and rewritten to coincide with the introduction of DES and updated again in January 2014 to reflect the changes made to Contract Procedure Rules and the Scheme of Delegation. Under the scheme, managers are required to identify savings to offset overspends elsewhere on budgets for which they are responsible. I will be writing to each Director and Head of Service to remind them of their obligations under the County Council’s *Scheme of Financial Management*.
- 9.4 Whilst budgets are based on realistic assumptions, some budgets are subject to a degree of estimating error as actual expenditure can be determined by factors outside the Council’s control, for example demand-led budgets such as provision for adults with a learning disability. It is also generally not appropriate or affordable to increase budgets to reflect overspends in the previous year. A reasonable degree of challenge to manage within the resources available is necessary and monitoring of expenditure, in order to take corrective action if necessary, is particularly important during a time of budget reductions.
- 9.5 The Council has well-developed arrangements for the monitoring of budgets during the year, which are reported through the Corporate Performance Management Information system (CPMI), published via SharePoint. This includes detailed information on the “Top 20 Budgets” and Cost Centre expenditure against budget, which is updated on a monthly basis.
- 9.6 Technical aspects of the budget process applied for 2017/18 have been similar to recent years. The Resource Allocation Model (RAM) again provides a robust starting point for addressing inflationary, demographic and volume pressures in an open and

fair manner. It provides a sound platform on which to build and develop future medium term financial strategies and budgets.

- 9.7 Member involvement in budget development has been exercised particularly through meetings of the *Forward Together Board* and the *Budget Strategy Task & Finish Group*. It is also suggested that the Budget Group should continue to meet monthly, especially given the risks involved in the transition to new Local Government structures in the county, with its very specific focus and challenge, to develop savings proposals.
- 9.8 Senior Members and officers worked well together to bring forward proposals for consultation that would balance the budget in 2017/18. All-member briefings were held in September and December. Portfolio Holders have taken a lead on all budget proposals presented to the Cabinet and the overview committees.
- 9.9 In addition to the above and discussions at committees, members have had access to the four earlier, detailed budget reports which have provided the national and local context for the medium term financial plan and budget strategy. These reports included an update for the provisional local government finance settlement. The budget strategy has also been covered in meetings of the Audit and Governance Committee.
- 9.10 Taking all these factors into consideration, I consider that the estimates prepared in line with the strategy explained in this report are robust. However, the challenge of managing expenditure within them should not be underestimated; particularly given our short-term dependence on reserves and the need to deliver significant savings through transformation. Close monitoring will be required during the year and prompt corrective action must be taken whenever planned savings are not being delivered and progress toward a balanced budget for 2017/18 is not sustained. The position outlined above, regarding the authority's projected general fund balance makes achievement of our savings targets critical.

**Richard Bates**  
**Chief Financial Officer**  
January 2017

## Appendix 1

## CPMI – December 2016

Cost Centre Management Budget Monitoring Summary	Year	2016-17	October	November	December					
						Responsible Officer	'Above Line'	Projected	Projected	Projected
							Net Budget	Under/(Over)	Under/(Over)	Under/(Over)
Only	Forecast	Spend	Spend	Spend						
		£000's	£000's	£000's	£000's					
<b>Children's Services Directorate</b>										
<b>Children's Service Budget</b>										
Pre September 16 structure	Sara Tough	6,387	7,259	(1,338)	(1,032)	(872)				
Care & Protection	Vanessa Glenn	21,368	29,438	(7,613)	(7,933)	(8,070)				
Design & Development	Patrick Myers	6,251	5,635	365	437	616				
Partnerships and Performance	Jay Mercer	21,449	29,216	(7,553)	(7,720)	(7,768)				
Directors Office	Sara Tough	1,881	1,830	262	(67)	50				
Application of Contingency	Richard Bates	0	(4,000)	4,000	4,000	4,000				
DSG Services	Jay Mercer	7,431	7,628	(89)	(70)	(198)				
Children's Services Total including DSG		64,767	77,007	(11,965)	(12,385)	(12,240)				
DSG Funding (overspend to be carried forward)	Sara Tough	(7,435)	(12,507)	5,245	5,065	5,072				
<b>Children's Services (Non DSG) Total</b>		<b>57,331</b>	<b>64,500</b>	<b>(6,721)</b>	<b>(7,320)</b>	<b>(7,169)</b>				
<b>Adult &amp; Community Services Directorate</b>										
Adult Care Service User Related	Harry Capron	59,178	65,119	(3,309)	(5,602)	(5,941)				
Adult Care	Harry Capron	19,515	18,997	1,541	906	518				
Commissioning and Performance	Helen Coombes	36,568	36,207	41	187	362				
Early Help & Communities	Paul Leivers	8,405	8,354	22	21	51				
Director's Office	Helen Coombes	651	282	328	379	369				
<b>Adult &amp; Community Services total</b>		<b>124,317</b>	<b>128,959</b>	<b>(1,377)</b>	<b>(4,109)</b>	<b>(4,642)</b>				
<b>Environment and the Economy Directorate</b>										
Economy, Planning & Transport	Maxine Bodell	2,019	1,987	(24)	32	32				
Dorset Travel	Andy Shaw	15,741	16,115	(449)	(449)	(374)				
Business support Unit	Jan Hill	574	559	4	16	15				
Coast & Countryside	Phil Sterling	2,631	2,684	(68)	(72)	(52)				
Estates & Assets	Peter Scarlett	(1,582)	(1,279)	(192)	(198)	(302)				
Buildings & Construction	David Roe	95	(322)	455	455	417				
Pooled R&M	David Roe	78	78	0	0	0				
Network Management	Simon Gledhill	1,284	1,247	3	2	37				
Network Development	Tim Norman	715	715	6	5	(0)				
Network Operations	Martin Hill	4,159	4,145	13	13	14				
Fleet Services	Sean Adams	(32)	(53)	1	22	21				
Emergency Planning	Simon Parker	212	212	(3)	(3)	0				
Director's Office	Mike Harries	414	660	(248)	(247)	(246)				
Streetlighting PFI	Tim Norman	3,824	3,824	0	0	0				
ICT	Richard Pascoe	5,923	6,093	(85)	0	(170)				
<b>Environment and the Economy Directorate Total</b>		<b>36,054</b>	<b>36,664</b>	<b>(588)</b>	<b>(423)</b>	<b>(610)</b>				
<b>Chief Executives</b>										
Chief Executives Office	Debbie Ward	366	307	59	59	59				
Partnerships	Karen Andrews	245	259	(16)	(14)	(14)				
Communications	Karen Andrews	235	228	7	7	7				
Policy and Research	Karen Andrews	422	489	(49)	(44)	(66)				
Commercial Services	Karen Andrews	652	679	(26)	(26)	(26)				
Governance and Assurance	Mark Taylor	642	638	1	5	4				
Assistant Chief Executive		241	206	35	35	35				
Legal & Democratic Services	Jonathan Mair	2,004	2,111	(107)	(107)	(108)				
Financial Services	Richard Bates	(260)	(254)	(15)	(6)	(6)				
Human Resources	Sheralyn Huntingford	1,540	1,491	0	49	49				
Directorate Wide	Richard Bates	0	0	0	0	0				
Cabinet	Richard Bates	3,467	3,492	(45)	(30)	(25)				
<b>Chief Executives Total</b>		<b>9,554</b>	<b>9,645</b>	<b>(157)</b>	<b>(72)</b>	<b>(91)</b>				
<b>Partnerships</b>										
Dorset Waste Partnership	Karyn Punched	20,717	19,894	794	823	823				
RIEP		0	0							
Public Health	David Phillips	(2)	(1,377)	700	1,375	1,375				
<b>Partnerships Total</b>		<b>20,715</b>	<b>18,517</b>	<b>1,494</b>	<b>2,198</b>	<b>2,198</b>				
<b>Central Finance</b>										
General Funding	Richard Bates	(9,787)	(9,677)	(2)	0	(111)				
Capital Financing	Richard Bates	25,574	25,253	(96)	307	321				
R&M	Richard Bates	1,244	1,244	0	0	0				
Contingency	Richard Bates	(8,255)	(8,755)	0	500	500				
Precepts/Levy	Richard Bates	677	677	0	0	0				
Central Finance	Richard Bates	(264,860)	(264,860)	0	0	0				
<b>Central Finance Total</b>		<b>(255,407)</b>	<b>(256,118)</b>	<b>(97)</b>	<b>807</b>	<b>711</b>				
<b>Total Above Line Budgets</b>										
		<b>(0)</b>	<b>14,674</b>	<b>(12,691)</b>	<b>(13,983)</b>	<b>(14,674)</b>				
<b>Excluding DSG Budgets</b>										
		<b>(7,435)</b>	<b>2,167</b>	<b>(7,446)</b>	<b>(8,918)</b>	<b>(9,602)</b>				